

Extracted from the report of the Secretary of the Treasury on the state of the finances, for the year ending June 30, 1863.

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Federal Reserve Bank of St. Louis

A.

OFFICE OF COMPTROLLER OF THE CURRENCY,
November 28, 1863.

In compliance with the requirements of 60th section of the act of Congress entitled an "Act to provide a national currency secured by a pledge of United States stocks, and to provide for the circulation and redemption thereof," I have the honor to submit the following report.

Up to the present time there have been organized under said act one hundred and thirty-four banks, which are located as follows :

In Maine.....	2	In District of Columbia.....	1
In New Hampshire.....	2	In Illinois.....	7
In Vermont.....	2	In Indiana.....	20
In Massachusetts.....	3	In Iowa.....	6
In Rhode Island.....	1	In Kentucky.....	1
In Connecticut.....	4	In Michigan.....	4
In New York.....	16	In Missouri.....	2
In New Jersey.....	1	In Ohio.....	38
In Pennsylvania.....	20	In Wisconsin.....	4

A statement of the condition of some of the banks, on the first of October last, accompanies this report. Most of those now organized had not at that time commenced business; hence the partial returns.

A statement of the names and compensation of the clerks employed by me, and of the expenses of the bureau up to the first of July, the commencement of the financial year, also accompanies this report.

The same section of the act makes it my duty "to suggest any amendment to the laws relative to banking by which the system may be improved, and the security of the billholders and depositors may be increased."

The national currency act, although admirable in its leading features, is not altogether symmetrical in its arrangement, nor clear, if it is even consistent in all of its provisions. I respectfully suggest, therefore, that the act be carefully revised; that those parts of it that refer to the same subject be placed in juxtaposition, and that it be relieved of certain obscurities and apparent inconsistencies that render some of its provisions of difficult construction. A law of so much importance as this, which is to be interpreted by so many people, and is to be the charter of so many banking institutions, should be methodical in its arrangement, clear in language, and comprehensive and consistent in its provisions. In these respects the national currency act is somewhat defective. Sections relating to the same subject are scattered throughout the act. Words of different significance are sometimes used as if they were convertible. Many passages are ambiguous in language, if they do not contain inconsistent provisions. For example, the law requires that articles of association should be entered into, and organization certificates executed, stating for what purpose the certificates shall be made, and indicating other and different things to be provided for in the articles of association, and yet in some instances these certificates and articles seem to be referred to as if they were one and the same instrument. Section 6 makes certified copies of organization certificates legal, and sufficient evidence of the existence of associations, while section 11 provides that the associations shall have succession, &c., by the name designated in their articles. The last mentioned section, which confers banking powers upon the banks, has also a provision which bankers find it difficult to interpret. After bestowing upon the banks general powers to discount bills, notes, and other evidences of debt, it authorizes the loan of money "on real and personal secu

urity, in the manner specified in the articles of association, and for the purposes authorized by the act." This is the only power conferred by this section, the exercise of which is made dependent upon the articles of association, and it has been found difficult to give a precise meaning to the language, and to form articles that should cover and secure the power intended to be conferred.

Section 13 authorizes associations to provide in their articles of association for an increase of capital, subject to the limitations of the act; but there is no limitation in the act of the capital stock of the associations, separately or in the aggregate. The same section seems to require that the Comptroller shall *certify to the banks* the amount of their increased stock, instead of giving him the power to authorize the banks to increase their capitals, and to approve of the increase, upon his being furnished with evidence that the additional capital has actually been paid in.

Section 15 provides that United States bonds to the amount of one-third of the paid-in capital of an association shall be deposited with the Treasurer, and a fair construction of the act has seemed to me to warrant the decision that the banks should not only deposit with the Treasurer, but that they should keep with him constantly, this proportion of bonds; while section 30 provides that the Comptroller may (shall) direct the return of any such bonds to the association that transferred the same, upon the surrender to him and the cancellation of a proportionable amount of its circulating notes, &c., &c. This provision, construed by itself, might nullify the requirements of the 15th section, even if it did not defeat the most important object of the act.

Section 37, literally construed, might prevent the national banks from discounting on the security of the stocks of other corporations, many of which stocks are regarded by bankers as among the most desirable collaterals; while the object of the restrictions in this section undoubtedly was, merely to prevent banks from discounting upon the security of their own stocks, and from engaging in stock speculations. I have decided that under section 41, three-fifths of the twenty-five per cent. of lawful money required to be kept on hand by the national banks might be kept in similar associations in the cities named, *but in no others*. The ninth article of the 45th section is supposed, however, by many to indicate that no such restriction in regard to the character of the depository was intended.

An absolutely strict construction of another part of section 41 would seem to deny to banks in the cities named the privileges granted to those in other places, but I have thought and decided that a more liberal construction should be given to it, because it was not reasonable to suppose it to have been the intention of Congress to withhold from banks in Chicago privileges granted to banks in Buffalo, nor from our banks in Providence privileges granted to banks in Hartford, New Haven, &c., &c.

These, and others like them, may be regarded as minor defects, and such as do not materially affect the proper working of the system, but they serve to embarrass the bankers, and may cause improper decisions on the part of the Comptroller. The law would be greatly improved if it were relieved of them.

I suggest, also, that section 47 be struck out entirely. While it is true that large loans to a single individual or firm should, as a general thing, be avoided, there may be, and frequently are, exceptional cases in which such loans are both necessary and judicious. I think, therefore, that this is a matter that should be left to the discretion of the managers of the banks, and that it can be safely intrusted to them.

I suggest, also, that section 39 be so amended that the affairs of the national banks may be managed by not more than thirteen directors instead of nine, and that only two-thirds of the directors be required to be residents of the State in which the banks are respectively located. I can conceive of no valid reason why the stockholders of a national bank should be prohibited from electing

more than nine directors. It is not likely that the stockholders of many banks will be inclined to do so; but some State banks have more than nine directors, and if they should be converted into national banks, and the stockholders thereof should desire to retain their present number, or if any new associations should prefer a larger number than nine, they should have the privilege of doing it.

The requirement that all the directors of a bank should be residents of the State in which it is located, may, in some instances, prevent stockholders from availing themselves of the services of men whom it may be desirable to have in the direction. Many persons carrying on business in our large cities reside in neighboring States. Should they, therefore, be disqualified from being directors of the city banks? The object for which this resolution was inserted in the act will doubtless be secured by requiring two-thirds of the board to be residents of the State in which an association is organized.

Instead of the liability of the stockholders, many of whom have little voice in the management of their banks, I would suggest that section 12 be so amended that the failure of a national bank be declared *prima facie* fraudulent, and that the officers and directors, under whose administration each insolvency shall occur, be made personally liable for the debts of the bank, and be punished criminally, unless it shall appear, upon investigation, that its affairs were honestly administered. The individual liability provision, if continued, will prevent, as it is now doing, many prudent men and men of wealth from becoming shareholders in national banks, and consequently hinder a proper and desirable distribution of their stock, and will not protect creditors to the same extent as would be done by the proposed liability of the managers.

I also suggest that section 24 be so amended that the publication by an association of its quarterly reports, where there is no newspaper in the place where the association is located, be made in the nearest paper thereto, instead of a paper published at the capital of the State.

I suggest, also, that section 39 be so amended that stockholders of banks of large capital be eligible to the direction thereof, who may be the owners of less than one-half per cent. of the capital. As the law now stands, no stockholder can be a director in a bank of \$10,000,000 of capital, without owning at least \$50,000 of its stock. Such a provision is obviously unwise. The best brains and the highest integrity might thus be excluded from the management of banks. There is another objection to this section. According to its provisions, a stockholder who owns but \$1,500 of stock can be a director of a bank with \$300,000 capital, while one must own \$2,000 of stock to be a director of a bank with \$200,000 capital.

I suggest, also, that section 31 be repealed. Aside from the consideration that a depreciation of government securities should not be contemplated by Congress, it is hardly just to the banks to compel them to furnish these securities as a pledge for their circulation, at the rate of ninety per cent. on the dollar, and then subject them to the caprices of the New York stock exchange.

The act authorizes the organization of banks with a capital of \$50,000 each, and requires the payment of only thirty per cent. thereof on the commencement of business, so that a bank may commence the business of banking with a paid in capital of only fifteen thousand dollars.

I suggest that the act be so amended that no bank shall commence business with a less capital, actually paid in, than fifty thousand dollars. To say nothing of the facilities which the law affords to the banks, for building up a fictitious capital by the use of its circulating notes, when the stock is paid up by instalments, fifteen thousand dollars is altogether too insignificant a sum, even at the commencement, for the capital of a bank. It is very questionable whether a bank should be organized with a capital less than one hundred thousand dollars;

fifty thousand to be paid in at the commencement of business, and the balance in instalments of ten per cent. every sixty days thereafter.

There is, at present, no provision for the voluntary closing of the national banks. I suggest, therefore, that a provision be inserted in the act, requiring banks that may desire to close up their affairs to give notice of their intention to do so, to the Comptroller of the currency, and such notice to the public as he may prescribe, and authorizing the banks, at any time after two years from the publication of such notice, to withdraw from the Treasurer the bonds deposited with him for the security of their circulation, upon paying into the Treasury of the United States the amount of their outstanding notes in lawful money, which notes shall thenceforth be redeemable at the treasury, and the banks respectively, and the stockholders thereof be discharged from all liability therefor.

It would thus appear that the benefits resulting from the lost circulation are to inure to the government, and not to the banks; but it will be remembered, that the notes are furnished to the banks at the expense of the government, which will probably be no more than covered by what may be lost or destroyed; especially as the banks, being at no expense therefor, will be likely to keep their circulation clean and unmutated, by frequent exchanges of old notes for new ones.

I suggest, also, that the act be so amended that the rate of interest to be charged by the national banks be uniform in all the States; that the penalty for usury be a forfeiture of the interest, instead of a forfeiture of the debt, on which more than the legal rate is taken, and that the banks in the large commercial cities of the seaboard States be relieved in certain contingencies, from all penalties for usury, in order that they may prevent, as far as practicable, by raising the rate of interest, excessive importations of foreign merchandise and heavy exportations of the precious metals.

The expediency of making the rate of interest uniform throughout the country is manifest. The objection to national legislation upon this subject is, that the States are supposed to have the exclusive right to regulate the interest upon loans of money.

It is true that the power to regulate the rates of interest at which money shall be loaned has always been exercised (except in the case of the United States Bank) by the States, and it is also true that the laws upon this subject in the different States have been various and changeable. There are scarcely two States in the Union whose interest laws are exactly alike. Few things have been more embarrassing to the trade between the different sections of the country, and none have been more prolific of litigation and conflicting judicial decisions, than the different and frequently changing legislation of the States in fixing the value of the use of money.

Whatever opinions may have heretofore obtained upon the subject, there are now very few intelligent business men of the country, who have watched the effect upon trade and exchanges of the efforts of the States to establish by law the rates of interest, who are not agreed in the opinion, that the regulation of commerce between the States cannot be perfectly accomplished without the establishment of a uniform rate of interest throughout the Union. The commerce of the country ignores State boundaries, and Congress has the exclusive right of regulating it. Congress ought, therefore, to have the incidental power of preventing the States from embarrassing commercial intercourse between the people of the States, which is done to no little extent, by their fixing different rates of interest upon money. If such power exists in Congress it ought to be exercised. In my judgment, it is demanded both by considerations of public policy and public convenience.

But whatever opinions may be entertained in regard to the general authority of Congress to regulate the rate of interest upon loans of money, there can be but little question of its power to regulate the rate which shall be charged by

the banks through which a national circulation is to be issued, and which are organized under a national law. Unless it possesses this power, *the national government must divide with the States* the control of the affairs of banks created to carry out its rightful, acknowledged, and necessary functions.

As the law now stands, banks in New York and Michigan can charge seven per cent. on their loans, while those of New England and most other States are restricted to six; and State laws can be so framed as to attract capital to be invested in national banks too largely into particular States, or to prevent such an investment of it in such States altogether.

It is recommended, therefore, that the rate of interest to be charged by national banks be made uniform throughout the States, and that this rate be seven per cent. per annum.

The authority of Congress to so change the act has been settled, I think, by the Supreme Court. The Bank of the United States was authorized by its charter to loan money at the rate of six per cent. per annum. Suppose, that in a State in which a branch of that bank was located the legal rate of interest had been five per cent., would a contract made with the branch for six per cent. have been void as contravening a State law? The right to assess and collect taxes for the support of the State is a right indispensable to the existence of the State government. Nevertheless, the State of Maryland was prohibited from taxing the stock of the branch of the United States Bank in the city of Baltimore, and on the ground that States had no power by taxation or otherwise to impede, or in any manner control, laws enacted by Congress in the exercise of its legitimate powers. If, instead of attempting to tax the Baltimore branch bank, the State of Maryland had passed a law reducing the rate of interest to be charged by all corporations within its limits, not authorized by the State, to four per cent., (as it would have had an undoubted right to do if the power to regulate the rate of interest upon moneys loaned belongs absolutely and exclusively to the States,) would not the Supreme Court have declared such a law, in its application to a branch of the United States Bank, unauthorized and void? Is the power to regulate the rate of interest upon money any more clearly a power reserved by the States than the power to tax? If Congress had the constitutional authority to pass the national currency act, it has unquestionably the incidental right to regulate, irrespective of State legislation, the rate of interest which shall be charged by the banks organized under it, for, without this right, State laws might so control or impede the business of the banks as to render the act itself practically inoperative.

Few questions have been more frequently and thoroughly discussed, or in relation to which there has been a greater difference of opinion among intelligent men, than the question of usury. Much of this difference of opinion has arisen from the fact that men have viewed it from different stand-points. The opinion of one who has lived in Germany or England, where capital is abundant, and no usury laws have existed for years, will, of course, be very different from that of one who has lived in Minnesota or California, and noticed the evils which have resulted from the high rates which money has commanded in those States. Notwithstanding the fact that money is the standard of value, it is not free from the operations of the great regulating law of supply and demand. Where money is abundant it is cheap, where scarce it is dear; and no legislation has been able to control the effect of this general law. There is no necessity for usury laws in most of the States at the present time, because money is abundant and lenders are plenty, and borrowers are scarce. When the war is over, and business goes back again to its accustomed channels, and the disbursements of the government are largely curtailed, borrowers will be plenty and lenders scarce. Because usury laws are not needed now, it does not follow that they will not be required at no very distant day, nor does it follow, because legislation has not been able absolutely to regulate the value of the use of money,

and because all usury laws are frequently evaded, that, therefore, these laws are inefficacious and unwise. Usury laws, no matter how much they have been evaded, have had the effect of preventing, to some extent, excessive charges on loans of money. There is scarcely a banker or money-lender in the country who has not often been restrained in his charges, for the money he has loaned, by the usury laws which have been in force. In all countries, in which there is not a superabundance of capital, usury laws have been found necessary to protect those whose interest it is to borrow money, against excessive charges for it by those who have it to lend, and the experience of the nations is not to be disregarded. Money, whether it be in the form of the precious metals or of bank notes, is created by law. Gold and silver are not money until coined and made such by the authority of the government. It is not like merchandise or other personal property, the result of man's industry, but a creation of the government, and government, which fixes the value that shall be placed upon it, has the right to say, and it is its duty to say, what shall be charged for the use of it. Of course solvent bank notes, whether issued by national or State authority, depend for their value as money upon the value of the coin of the United States. The only question, then, which it is necessary to consider in this connexion is, what penalty shall be attached to violations of usury laws. On this point, I am of the opinion that while the penalty should be such as will protect the borrower from oppression, it should not be of such a character as to tempt too strongly his honor, or to compel, both the lender and borrower to resort to shifts for its evasion, which make money dearer to the latter than it otherwise would be. The laws of those States that make void all usurious contracts, even in the hands of innocent parties, and punish usury as a crime, are impolitic and unwise; those laws that make valid, contracts for any rates of interest which may be agreed upon are scarcely less so. I think it will be found that those laws which make the penalty for usury the forfeiture of interest, leaving the lender the right to collect only the principal of the loan, are more equitable in their operations, and more effective in inducing fair dealing between man and man, than the more stringent laws of some States and the less stringent ones of others. I feel it to be my duty, therefore, to recommend that the 46th section of the national currency act be further amended, so that the penalty for taking or reserving by the national banks of a greater rate of interest than seven per cent. be a forfeiture of the interest, instead of the forfeiture of the debt on which more than the legal rate shall have been taken or reserved. And inasmuch as the history of all commercial nations has shown it to be occasionally necessary, for the regulation of trade between them and other nations, that the rate of interest should be under the control of an authority less arbitrary than statutes, I further recommend that the Secretary of the Treasury, or a commission to be created by Congress, be authorized temporarily to relieve the national banks in the cities of Philadelphia, New York, Boston, &c., from all penalties for usury, whenever it shall be thought that the public interests will be promoted thereby.

The judicious use of the power possessed by the Bank of England of checking, by an advance of the rate of interest, excessive speculation, and the creation of a foreign debt, to be liquidated by shipments of coin, has frequently prevented financial crises in Great Britain. The same power, prudently and resolutely wielded by the banks of New York as a unit, would, in years past, have saved millions to the United States. It may be many years before the national banks will possess the power now held by the State banks in that city, but they may have it in due time; and when this is the fact, no statutory restrictions should prevent them from using it for the benefit of the country.

If it should be thought inadvisable, as I trust will not be the case, to make the suggested amendments in regard to interest and usury, I would, in that event,

recommend, as the national banks are to be subject to State laws in regard to the interest that shall be charged upon discounts, that they be also subject to the penalties for usury which the State laws may impose. If the exclusive right to regulate the rate of interest is to be left to the States, they should also fix the penalty for usury. The power to regulate, by law, the charge that shall be made for the use of money, and the power to punish for the violation of the law, should be in the same hands. Under the present provisions of the act, Congress must adopt State legislation, whatever it may be, upon the subject of interest, whether it be three per cent. or twenty, while it inflicts a penalty for a violation of State laws which the State laws do not themselves impose.

I suggest also that section 45 be repealed, and that instead thereof a section be inserted authorizing the banks to make semi-annual dividends of profits, but requiring them, before dividends are declared, to carry to the "surplus" one-sixth part of their net profits, until their surplus funds shall amount to thirty per cent. of their respective capitals. The advantages of the creation, by a bank, of a large surplus fund to cover losses that no prudence can prevent, and, as a preparation for commercial crises, are so well understood as to need no illustration. The rest of this section refers to semi-annual reports. By section 24 the banks are required to make full quarterly reports of the condition of their affairs, in view of which the semi-annual report would seem to be unnecessary.

I recommend also that sections 62, 63, and 64 be repealed.

The national currency system contemplates the organization of national banks, which, by becoming its financial agents, may aid the government in the safe-keeping and transmission of its revenues, and the transaction of its business, and through the instrumentality of which a safe and uniform circulation may be furnished to the people.

The sixty-second section makes it the duty of the Comptroller to furnish the national currency to any banks or banking institutions authorized by a State law to engage in the business of banking, upon their delivering to the Treasurer the required securities. No matter what may be the restrictions of the State law upon the issues of State banks, or the character of the banks, if they *claim* to be the owners and are the holders of United States bonds to the amount of fifty per cent. of their capitals, they can deposit *any part* of these bonds, and obtain circulation therefor. It is difficult to conceive of a measure better calculated to bring the national currency system into conflict with the States, and into disrepute with the people, than this. Under it we should have banks receiving government notes without being in any measure subject to the supervision of the government—deriving all their corporate powers from the States, and yet issuing notes not authorized by State laws. We should have banks that may have borrowed the government securities attempting to bolster up a doubtful reputation by the credit which an issue of national circulation would give them, and casting reproach upon the system by their inability to redeem it.

If States have the right to create banks of issue, they must have the sole right to control them. Congress can neither increase nor diminish the powers of institutions brought into existence by State laws if their powers do not encroach upon the authority of the general government.

But if enabling acts should be passed by State legislatures, authorizing State banks to avail themselves of the privileges of the 62d section, the objection to the delivery of notes to State banks would be only partially removed. The government should have no connexion with institutions not created by its own laws. If the two systems of national and State banking are to co-exist, let it be as separate and independent systems. Let there be no non-descripts which are part State and part national, issuing two kinds of circulation, created by different authorities and based upon different securities.

In every aspect in which I have been able to view this part of the act, I have

found it to be objectionable. It is an encroachment upon State authority. It contemplates the mixing of two systems that ought to be independent. It would destroy the symmetry of the national currency and afford no advantages to solvent State banks, which they could not obtain, to a greater extent, by a transfer of their capitals into national organizations.

I suggest also that it be made the duty of the national banks, if required by the Secretary of the Treasury, to act as financial agents of the government, and to receive on deposit moneys for account of the United States, or any disbursing agent thereof, and to give satisfactory security for the faithful performance of the duties required of them.

I further suggest that the national banks shall be required to prevent their notes from being depreciated in the commercial cities of the country, and that the national banks in those cities be required to keep their reserve of lawful money in their own vaults. The national currency—secured as it is to be by the entire resources of the government, receivable for all public dues except duties upon imports, and for all obligations of the government, except the interest on the public debt, and in case of the failure of the banks to be promptly redeemed at the treasury of the United States, can never be much depreciated, no matter what may be the location of the banks by which it is issued. If, in addition to all this, the national currency is, in the commercial cities of the Union, kept absolutely and always at par, it will attain a perfection never yet reached by a bank note circulation. That this may be done without prejudice to the banks, but rather to their advantage, I have not a particle of doubt.

The redemption of their notes at the commercial cities by the interior banks would tend to increase largely the deposits of the banks in these cities; hence the necessity that the latter should keep constantly on hand a large reserve—a reserve which might and perhaps ought to be increased beyond the present requirements of the act.

The rapidity with which national banks are being organized in the western States, and the high character of most of the stockholders thereof, indicate the popularity of the system in that part of the Union. In the eastern States it will be observed that comparatively few banks have been organized; but even in these States the opinion is rapidly gaining ground that the national system will there, at no remote period, supersede the State system of banking. It is desirable that this should be done by a transfer of capital from the latter to the former without any serious interruption of business. Some of the older States have capital enough already invested in banking, and the bank-note circulation of these States should be curtailed rather than increased. I know that bank notes, notwithstanding the preference that is given to legal tenders by the people, are in great demand, and that currency is reported to be scarce throughout the country; but no one can be ignorant of the fact that this scarcity is in a measure attributable to the high prices which bank issues have contributed to bring about. It is frequently the case that money is apparently the most plenty when there is the least of it in circulation, and the scarcest when it has attained the highest point, before a financial crisis. An increase of the circulating medium inflates prices. High prices require an increased circulation, and so they act and react upon each other, and there appears to be no redundancy of currency, no matter how vast the volume may be, until a collapse takes place, and what was supposed to be real prosperity is shown to be without a substantial foundation.

The national currency system was not designed to add to the evils of excessive paper issues, but rather to check them by the substitution of a circulation protected by adequate securities, and restricted in amount by being based upon actual values, for the too frequently unsecured and unrestricted issues of the States. It was certainly not created to increase the banking capital of the seaboard States in which there is enough of such capital already, but to super-

sede the systems of banking in those States by attracting to it the capital of existing banks. It promises to do this by a transfer of capital from one to the other, and without any collision between them. Where there are no enabling acts of State legislatures, the conversion takes place by the organization of national banks by the stockholders of State banks, and the transfer to the former of the assets and capital of the latter. This has already been done in several instances without even an interruption of business, and certainly without injury to the stockholders. The idea that the national banks cannot supersede the State banks without breaking them down and ruining their stockholders is an erroneous one, and can only be honestly entertained by those who have not carefully considered the subject or noticed the process of conversion, which has changed some banks in the west, and is changing others in the east, from one system to the other. No war is being waged, or is intended to be waged, by the national system upon State institutions. So far from it, it opens the way by which the interests of stockholders can be protected, at the same time that the character of their organizations is changed.

The war in which the country is engaged, although a great calamity in itself, will not be an unmixed evil financially even, if one result of it is the establishment of a system of banking by which, without an interference with the rights of the States, and without detriment to their solvent institutions, a bank note circulation shall be furnished to the people, as solvent as the nation itself, and uniform in value, as a substitute for that now supplied by the States, which is neither uniform in value nor, as a general thing, properly secured. The amount of losses which the people have sustained by insolvent State banks, and by the high rate of exchanges—the result of a depreciated currency—can hardly be estimated. That some of the new States have prospered, notwithstanding the vicious and ruinous banking systems with which they have been scourged, is evidence of the greatness of their resources and the energy of their people. The idea has at last become quite general among the people that the whole system of State banking, as far as circulation is regarded, is unfitted for a commercial country like ours. The United States is a nation as well as a union of States. Its vast railroad system extends from Maine to Kansas, and will soon be extended to the Pacific ocean. Its immense trade is not circumscribed by State lines, nor subject to State laws. Its internal commerce is national, and so should be its currency. At present some fifteen hundred State banks furnish the people with a bank-note circulation. This circulation is not confined to the States by which it is authorized, but is carried by trade or is forced by the banks all over the Union. People receive it and pay it out, scarcely knowing from whence it comes or in what manner it is secured. Banks have been organized in some States with a view to lending their circulation to the people of others. Probably not one quarter of the circulation of the New England banks is needed or used in New England—the balance being practically loaned to other States. The national currency system is intended to change this state of things, not by a war upon the State banks, but by providing a means by which the circulation which is intended for national use shall be based upon national securities through associations organized under a national law. The United States notes, the issue of which was rendered necessary by the exigencies of the government, and which it is presumed will be withdrawn whenever this exigency ceases, have taught the people the superiority of a national circulation over that to which they have been accustomed. In many sections the produce of the country cannot be purchased with bank notes, and people find it difficult travelling from State to State without legal tenders. Everywhere the opinion is prevailing that the circulation of local banks has about had its day, and must yield to the demands of the people for a circulation of which the government is the guarantor.

By the national currency act the principle is for the first time recognized and

established, that the redemption of bank notes should be guaranteed by the government authorizing their issue. The national currency will be as solvent as the nation of which it represents the unity. The country has at last secured to it a permanent paper circulating medium of a uniform value, without the aid of a national bank. This national system confers no monopoly of banking, but opens its advantages equally to all. It interferes with no State rights. It meets both the necessities of the government and the wants of the people. It needs modifications, and may require others than those which are suggested in this report; but it is right in principle, and of its success there can, I think, be no reasonable doubt.

The work of preparing the national circulation has been attended with unlooked for delays, but it is confidently expected, after the banks already organized are supplied, which will probably be accomplished within the next two months, that all associations will be furnished with notes within thirty days from the time bonds are deposited with the Treasurer. Contracts have been made with the Continental and American Bank Note Companies for engraving the plates for the five, ten, twenty, fifty, and one hundred dollar notes, and the printing of the fives and tens has been commenced. The delivery will soon follow, and the banks, and through the banks the people, will soon be put in possession of the much-desired currency.

With the suggested amendments of the act, it is not supposed that the national banking system will be an absolutely perfect one, but it is supposed that it will afford to the people a better bank note circulation than any heretofore devised. There may be under this law imprudent banking, and perhaps banking on fictitious capital, which no law can absolutely prevent. It should, however, be the aim of those who have the supervision of the system to guard it by every means in their power against such perversions. Men without capital, and adventurous speculators, should have no connexion with banking institutions. If such men do obtain control of national banks, the restrictions of the law should be so enforced as to render that control a temporary one. Encouragement should be given to honorable, straightforward, legitimate banking, and to no other.

But whatever mismanagement of the affairs of any particular national bank may exist, the holders of its notes will not be prejudiced by it. If the banks fail, and the bonds of the government are depressed in the market, the notes of the national banks must still be redeemed in full at the treasury of the United States. The holder has not only the public securities, but the faith of the nation pledged for their redemption.

If, in addition to this, the national currency, when distributed among the people, shall tend to give steadiness to trade by preventing bank note panics, and to facilitate a return to specie payments, and shall aid in regulating the exchanges of the country, at the same time that it meets the necessities of the government in the collection of its internal revenues, and binds the people by the strong ties of pecuniary interest to the governments it will prove that the war, calamitous as it may be, is not without its compensations, and a national debt is not without its advantages.

HUGH McCULLOCH, *Comptroller.*

Hon. S. P. CHASE,
Secretary of the Treasury.

SCHEDULE A.

Expenses of the National Currency Bureau

The expenses of the National Currency Bureau to the 1st day of July, A. D. 1863, were nineteen hundred and ninety-one dollars and seventeen cents, (\$1,991 17,) at which time nothing had been paid for the engraving of dies or for any purpose other than salaries and stationery.

The following is a statement of the persons employed in this bureau and the compensation of each:

	Per annum.
H. Baldwin, clerk.....	\$1,600 00
J. C. Hopper, clerk.....	1,600 00
O. W. Comstock, clerk.....	1,200 00
J. J. Edson, messenger.....	840 00
Miss M. Johns, copyist.....	600 00
Miss M. L. Wilson, copyist.....	600 00

SCHEDULE B.—Condition of National Banks on October 1, per quarterly reports furnished currency, secured by a pledge of United States stocks, and to provide for

Number.	NAMES OF NATIONAL BANKS.	Loans and discounts.	Due from banks and bankers.	Amount due from directors.	Real estate, fixtures, and personal property.	Specie, legal tender, and postal currency.	Cash items and revenue stamps.	Bonds deposited with Treasurer of the United States to secure circulation.	United States and State bonds.
1	1st of Bath, Maine.	\$5,015	\$2,531				\$3,045	\$30,000	\$30,700
2	1st of Springfield, Mass.	103,633	50,560		\$13,999	\$9,181	519	50,000	
3	1st of Portsmouth, N. H.	37,366						63,030	
4	1st of New Haven, Conn.	228,691	157,482		1,000	17,555	630	100,000	
5	1st of Stamford, Conn.	79,395	22,380			22,613	843	40,000	39,000
6	1st of New York, N. Y.	207,927	128,068			64,278	1,116	100,000	
7	2d of New York, N. Y.	43,677	2,210				19,076	145,000	155,000
8	1st of Adams, N. Y.							15,000	
9	1st of Ellenville, N. Y.	27,000	14,514			5,424	1,767	40,000	57,600
10	1st of Folly Landing, N. Y.	9,307	26,693	\$11,460		3,157		25,000	15,000
11	1st of Rondout, N. Y.	38,513	47,985			48	22,542	110,000	40,000
12	1st of Syracuse, N. Y.	68,770	78,620			8,020	8,054	30,000	30,000
13	1st of Newark, N. J.	54,899	44,030		16,000	15,720	7,731	60,000	
14	1st of Philadelphia, Penn.	211,099	159,900			120,659	2,065	50,000	
15	1st of Carlisle, Penn.	16,278	31,960	100		180	8,603	17,000	
16	1st of Erie, Penn.	59,467	31,338				17,965	40,000	
17	1st of Girard, Penn.	8,000	448					20,000	
18	1st of Hollidaysburg, Penn.							24,000	
19	1st of Huntington, Penn.							100,000	
20	1st of Johnstown, Penn.	60,009	6,469		4,000	749		50,000	
21	1st of Kittanning, Penn.							67,000	
22	1st of Marietta, Penn.	17,851	11,706		3,800		1,141	29,400	30,600
23	1st of Newville, Penn.	87,677	21,531			507	794	30,000	56,100
24	1st of Pittsburg, Penn.	451,216	513,786		37,000	68,267		150,000	875,187
25	2d of Scranton, Penn.	8,068	6,715				996	48,650	
26	1st of Strasburg, Penn.	16,680	9,323			879	163	26,300	
27	1st of Towanda, Penn.		2,500			341	805	19,750	19,900
28	1st of Wilkesbarre, Penn.	1,550	4,740			771	10	31,000	1,000
29	1st of Washington, D. C.	99,200	201,107			54,087		175,000	
30	1st of Aurora, Ill.	29,669	1,243	1,000			50	25,000	22,000
31	1st of Cairo, Ill.	5,628	24,210			1,205		15,075	16,000
32	1st of Chicago, Ill.	149,650	109,773				69,351	91,000	
33	1st of Cambridge City, Ind.							50,000	
34	1st of Fort Wayne, Ind.	107,405	16,206		1,308	737	1,139	36,000	5,000
35	1st of Franklin, Ind.	3,525	1,164		2,438	716	4	65,000	
36	1st of Kendallville, Ind.							58,000	
37	1st of Lafayette, Ind.		5,997					100,000	50,000
38	1st of Richmond, Ind.	45,184	15,338	2,500	7,778		77,215	70,000	11,350
39	1st of Rockville, Ind.	78,832	14,448		2,807	10,225	1,64	55,000	92,708
40	1st of Terre Haute.	29,765	46,919		1,517	771	764	100,000	
41	1st of Evansville, Ind.	186,931	65,357	13,970		95,915		100,000	
42	1st of Davenport, Iowa	56,548	45,800			50,102	23,112	40,000	26,350
43	1st of Iowa City, Iowa.	20,832	1,978		260	1,402		10,000	5,386
44	1st of Lyons, Iowa	14,457	16,271			3,988	244	29,000	35,000
45	1st of Ann Arbor, Mich.	32,147	20,857				1,084	42,500	
46	1st of Columbia, Miss.	45,767	1,519	850	1,100	18,941	59,889	50,000	55,000
47	2d of Akron, Ohio	56,034	4,668		5,000		36,533	10,000	
48	1st of Cincinnati, Ohio	414,043	70,164	9,000	65,028	262,331		167,000	
49	2d of Cincinnati, Ohio	57,330	56,739		500	20	543	100,000	
50	3d of Cincinnati, Ohio	329,148	64,614			1,048	21,395	30,000	
51	1st of Cleveland, Ohio	31,033	28,977			792	6,496	103,000	
52	2d of Cleveland, Ohio	1,075,831	123,519			723	11,184	200,000	
53	3d of Cleveland, Ohio	111,398	69,439		2,334	295	4,280	50,000	65,000
54	1st of Dayton, Ohio	38,987	23,549			2,000	1,800	50,000	50,000
55	1st of Findlay, Ohio		8,759		1,575		8,257	37,250	
56	1st of Fremont, Ohio	69,739	4,744				3,611	70,000	
57	1st of Hamilton, Ohio	12,231	7	786		169	14,223	40,000	
58	1st of Lodi, Ohio	5,958	4,293			3,518	1,630	29,000	2,500
59	1st of McConnellsville, Ohio.	8,700	5,963			14	74	50,000	5,000
60	1st of Salem, Ohio.		1,538				6,478	20,000	
61	1st of Sandusky, Ohio	120,046	14,324	5,208	8,500	1,038	16,936	80,000	2,700
62	1st of Troy, Ohio.	46,431	65,649			447	31	124,000	3,700
63	1st of Youngstown, Ohio.	69,960	24,813				131	100,000	
64	1st of Portsmouth, Ohio.	48,887	1,728			17,226	668	11,000	23,500
65	1st of Oberlin, Ohio.	422	6,876			3,000		19,000	19,019
66	1st of Millwaukee, Wis.	157,988	87,653			104,066	17,172	67,000	
Total		5,413,963	2,628,069	44,967	178,373	970,632	468,723	3,925,275	1,830,300
Add for cents.									

* The report of the first of Pittsburg was rendered November

REPORT ON THE FINANCES.

61

Comptroller of Currency, agreeably with section twenty-four of the "Act to provide a national the circulation and redemption thereof," approved February 25, 1863.

Bills of solvent banks, U. States notes, and cur- rency.	Expense account, profit and loss, and other items.	Totals.	Capital.	Profit and loss.	Due to bankers.	Due to individuals and corporations other than banks.	Due Treasurer of United States.	Due depositors on demand.	Amount due not in- cluded under either of above heads.	Totals.
\$7,639	\$211	\$69,191 00	\$50,000					\$19,191		\$69,191 00
15,218	159	243,271 00	150,000	\$1,028				92,245		243,271 00
.....	190	100,556 00	100,000	132			\$424			100,556 00
3,107	1,287	509,752 00	194,400	5,741	\$306		\$30,000	229,304		509,751 00
197	3,440	213,688 00	120,000	1,116	4,052			88,701		213,669 00
5,700	1,710	508,799 00	200,000	2,165	120,417			186,217		508,799 00
151	1,210	366,324 00	300,000	159				65,339	\$827	366,325 00
.....	70	15,070 00	15,000		70					15,070 00
6,279	1,914	153,901 00	120,000	485	5,635			27,782		153,902 00
1,765	2,194	94,576 00	50,000	439	11,205			32,934		94,578 00
12,247	415	271,750 00	200,000	2,065	3,112			66,574		271,751 00
8,036	386	231,886 00	100,000	835	3,389		75,000	52,661		231,885 00
8,236	1,058	207,734 00	84,020	2,078	13,817	12,000		95,821		207,736 00
1,390	7,276	552,419 00	148,400		35,526		39,000	329,494		552,420 00
3,828	226	78,265 00	23,000	228	2,155	13,289		40,594		78,266 00
13,167	498	162,435 00	100,000	423				62,013		162,436 00
.....	51	28,499 00	28,500							28,500 00
.....		24,000 00	24,000							24,000 00
.....		100,000 00	100,000							100,000 00
17,798	760	140,719 00	58,650	2,167	2,049			66,596	11,257	140,719 00
.....	11	67,613 00	60,000		19	7,593				67,612 00
13,200	330	108,028 00	46,675	378	3,767			57,207		108,027 00
11,285	967	199,861 00	38,210	1,197	5,419	13,483		39,888	103,666	199,863 00
143,740	4,140	2,243,338 00	300,000	20,279	39,647			1,334,394	540,019	2,243,339 00
6,790	43	70,612 00	49,663	37	848			20,065		70,612 00
8,469	607	62,416 00	29,730	205				32,483		62,418 00
.....	114	43,410 00	43,410	1						43,411 00
3,892	725	45,316 00	33,000		4			12,258	54	45,316 00
.....	2,056	531,450 00	500,000		17			31,432		531,450 00
10,983	404	80,352 00	50,000	1,318				39,036		80,354 00
19,571	717	52,446 00	19,903	303				62,264		52,447 00
60,073	1,999	431,846 00	205,000	3,759	61,498			211,591		431,848 00
.....	1,086	51,086 00	50,000		1,086					51,086 00
31,615	745	200,153 00	124,940	2,602	7,493			65,119		200,154 00
2,409	623	75,909 00	67,740		655	160		7,353		75,910 00
.....		58,000 00	58,000							58,000 00
11,355	125	167,477 00	167,477							167,477 00
.....	517	229,882 00	71,954	932		6,250		150,746		229,882 00
11,937	1,403	267,424 00	125,000	1,587	438			76,171	64,221	267,427 00
24,345	337	205,408 00	100,000		918			104,493		205,411 00
3,812	743	476,728 00	100,000	1,023	2,014	102,882		270,810		476,729 00
520	1,162	243,594 00	40,000	2,578	9,275			191,742		243,595 00
14,589	705	55,152 00	28,600	698	30			25,826		55,154 00
723	162	90,845 00	28,084	453				27,100	35,209	90,846 00
29,201	1,928	127,717 00	75,000	639				52,079		127,718 00
8,160	157	241,383 00	100,000	994	65,622			74,768		241,384 00
35,017	414	147,686 00	30,000	1,089	7,378	11,510		97,712		147,687 00
11,819	3,853	1,003,237 00	448,500	8,459	47,186			499,093		1,003,238 00
80,060	1,184	296,366 00	100,000	921	939			494,506		296,366 00
136,659	1,039	583,903 00	120,000	9,348	123,265			331,292		583,905 00
83,859	984	242,143 00	125,000	3,456	5,878			107,723		242,145 00
71,233	4,578	1,467,068 00	558,400	34,099	246,601	16,743		589,486	41,681	1,487,070 00
44,702	985	348,433 00	112,500	5,973				226,652	3,221	348,345 00
121,783	565	288,684 00	100,000	575	1,076			187,033		288,684 00
1,354	197	57,396 00	50,000	47		4,595		2,755		57,397 00
23,722	38	171,854 00	100,000	4,479				67,270	105	171,854 00
1,672	805	69,893 00	35,400	92	101			31,301		69,894 00
924	669	39,512 00	31,800	177				7,536		39,512 00
15,680	375	85,812 00	61,369	242				34,196		85,813 00
1,281	379	29,977 00	25,475	24	35	2,248		2,193		29,975 00
21,383	2,771	272,906 00	100,000	3,086	5,898			162,768	556	272,908 00
23,899	615	243,097 00	108,190	830		17,341		116,739		243,100 00
25,763	124	230,811 00	120,224	1,131	14,787			84,670		230,812 00
3,239	105	106,363 00	43,180	1,169	29			61,985		106,365 00
312	186	48,815 00	40,000					8,209	607	48,816 00
25,079	318	459,276 00	196,325	1,306				261,646		459,277 00
1,248,927	64,434	16,793,633 00	7,184,715	124,791	364,163	208,518	134,000	7,467,059	810,433	16,793,679 00
.....		135 48								79 48
.....		16,793,758 48								16,793,758 48

2, 1863, and showed the condition of the bank on that day.